

Department: Department of Health and Welfare

Division: Psychiatric Hospitalization

Program: State Hospital South

Description: Accounting Error Correction

1. Background:

The department requests a fund shift of \$1,889,300 from dedicated and federal funds to the General Fund to account for issues in billing and calculating the Medicaid match at the appropriate time. In addition, the hospital is anticipating a reduction in dedicated receipts as Medicare and other third-party payers are increasing the number of denials. Several years ago, the financial staff at State Hospital South changed their accounting methodology to a cash based system from an accrual based system. This resulted in errors of how the federal Medicaid match was applied. The correct amount of federal funds were drawn down by the central office, but the reporting and estimated needs for the hospital were greatly overstated. Without knowledge of the federal fund and dedicated fund overstatement, the Legislature funded various line items, supplementals, inflationary adjustments, replacement items, and other fund shifts during this time that would have likely been requested from the General Fund. If the supplemental appropriation request is not funded, the department states that it will have to layoff staff and shut down one admitting unit (30 beds) from March to June of 2018 to achieve the needed savings in personnel costs and operating expenditures. Further, the loss of receipt revenue from that unit being closed will require that an additional half unit (15 beds) be shut down during the same time period. As a result, these 45 beds will be transferred to the already overloaded community hospitalization program and could increase that budget by an additional \$4 million.

2. Agency Request:

Fund	Type	OT	FTP	PC	OE	CO	TB	LS	Total
0220-03	Gen		0.00	1,605,900	283,400	0	0	0	\$1,889,300
0220-05	Ded		0.00	(382,500)	(67,500)	0	0	0	(\$450,000)
0220-02	Fed		0.00	(1,223,400)	(215,900)	0	0	0	(\$1,439,300)
TOTAL			0.00	\$0	\$0	0	0	0	\$0